

Chapter I

1 Overview of State Public Sector Undertakings

1.1 Introduction

1.1.1 The State Government's Public Sector Undertakings (PSUs) comprise 81 Government Companies and 10 Statutory Corporations. As on 31 March 2013, there were 91 PSUs as per the details given in table 1.1. Of these, only one Company¹ was listed on the stock exchange(s). They employed a total of 64,996 employees as of 31 March 2013².

Table 1.1 : Total number of PSUs

Type of PSUs	Working PSUs	Non-working PSUs ³	Total
Government companies ⁴	65	16	81
Statutory corporations	09	01	10
Total	74	17	91

1.1.2 Out of total 91 PSUs, among the working PSUs, 31 State PSUs⁵ had finalised their annual accounts for 2012-13 as of September 2013, registering a turnover of ₹ 36,755.18 crore, which was equal to 6.37 *per cent* of State Gross Domestic Product (GDP)⁶ for 2012-13.⁷ Besides the State PSUs, there were also 10 Departmental Undertakings (DUs) which carried out commercial operations. Audit findings in respect of these DUs are incorporated in other Audit Reports for the State under the respective departments.

1.1.3 During the year 2012-13, audit of West Bengal Highway Development Corporation Limited and Kolkata Police Housing Infrastructure Development Corporation Limited were added to audit jurisdiction.

1.2 Audit Mandate

1.2.1 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by the Government(s). A Government company includes a subsidiary of a Government company. Further, a Company in which 51 *per cent* of the paid up capital is held in any combination by the Government(s), Government companies and Corporations controlled by Government(s) is treated as a Deemed Government Company as per Section 619-B of the Companies Act.

¹ WEBFIL Limited.

² As per the details provided by 85 PSUs. Remaining six PSUs (five non-working, one working) did not furnish the details till December 2013.

³ Non-working PSUs are those which have ceased to carry on their operations.

⁴ Includes three 619-B companies.

⁵ Thirty Government companies and one Statutory corporation.

⁶ Advance Estimates at Current Prices- ₹ 5,76,865 crore.

⁷ The working results of all 91 PSUs in the State based on their latest finalised accounts show a total turnover of ₹ 39,118.49 crore (6.78 *per cent* of GSDP) and net loss of ₹ 882.45 crore.

1.2.2 The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per the provisions of Section 619 of the Companies Act, 1956.

1.2.3 Audit of Statutory corporations is governed by their respective legislations. Out of nine working Statutory corporations, the CAG is the sole auditor for seven⁸. In respect of West Bengal State Warehousing Corporation and West Bengal Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is done by the CAG. In case of one non-working corporation, *i.e.*, Great Eastern Hotel Authority, only Compliance audit is undertaken by the CAG.

1.3 Investment in State PSUs

1.3.1 As on 31 March 2013, the investment (capital and long term loans)⁹ in 91 PSUs (including 619-B companies) amounted to ₹ 41,074.93 crore as per details given below.

Table 1.2 : Aggregate investment in PSUs

Type of PSUs	Government companies			Statutory corporations			(₹ in crore)
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	Grand Total
74 Working PSUs	11,963.50	25,659.55	37,623.05	532.11	2,088.02	2,620.13	40,243.18
17 Non-working PSUs	121.63	693.78	815.41	-	16.34	16.34	831.75
Total	12,085.13	26,353.33	38,438.46	532.11	2,104.36	2,636.47	41,074.93

Source: Audited accounts of State PSUs for 2012-13 where available, or information furnished by the PSUs except one working and five non-working that had not furnished information.

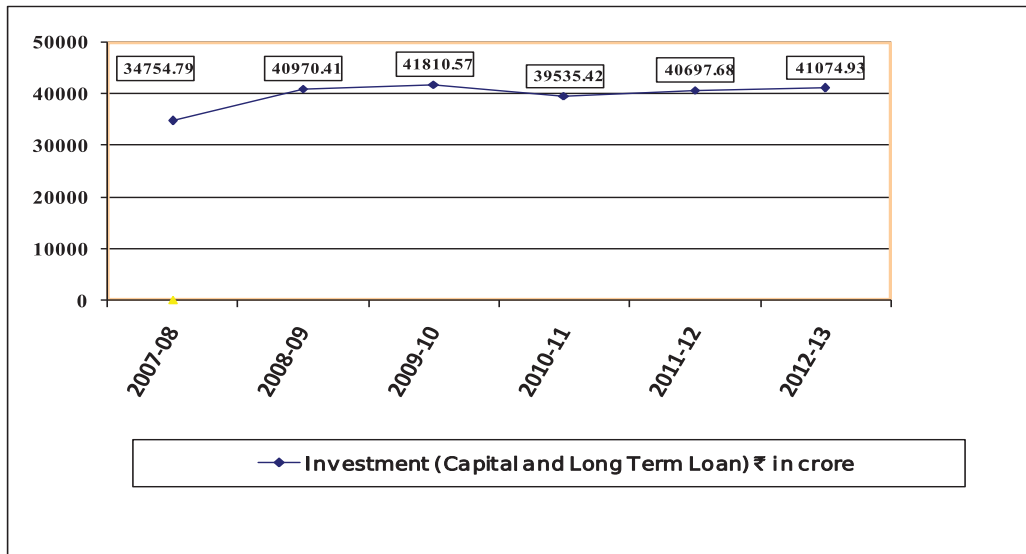
A summarised position of Government investment in State PSUs is detailed in **Annexure 1.1**.

1.3.2 As on 31 March 2013, of the total investment in State PSUs, 97.98 *per cent* was in working PSUs and the remaining 2.02 *per cent* was in non-working PSUs. This total investment consisted of 30.72 *per cent* towards capital and 69.28 *per cent* in long term loans. The investment had grown from ₹ 34,754.79 crore in 2007-08 to ₹ 41,074.93 crore in 2012-13 as shown in **Chart 1.1**, at an annual average compound rate of 3.4 *per cent*.

⁸ Calcutta State Transport Corporation, South Bengal State Transport Corporation, North Bengal State Transport Corporation, West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation, West Bengal Minorities Development and Finance Corporation, West Bengal Backward Classes Development and Finance Corporation and West Bengal Industrial Infrastructure Development Corporation.

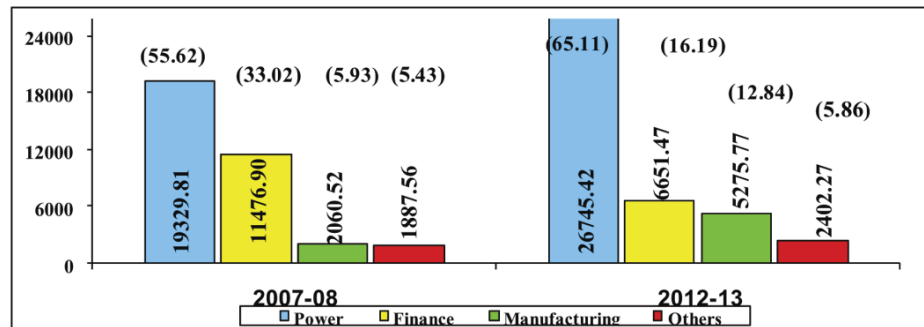
⁹ Includes investment (capital and long-term loans) by the State Government, the Central Government and others.

Chart 1.1 : Total investment in State PSUs



1.3.3 Investment and percentage of investment out of total investment thereof in various important sectors at the end of 31 March 2008 and 31 March 2013 are indicated below in **Chart 1.2**. The investment in PSUs was concentrated in power sector (between 55.62 to 65.11 per cent during the five years ending 31 March 2013).

Chart 1.2 : Sectorwise investment in State PSUs



(All figures are ₹ in crore except figures in brackets which show the percentage of the Sector to total investment)

In absolute terms, investments rose by ₹ 7,415.61 crore and ₹ 3,215.25 crore in power and manufacturing sectors respectively during the period 2007-13 while it declined by ₹ 4,825.43 crore in finance sector.

1.4 Budgetary outgo, grants/subsidies, guarantees and loans

1.4.1 Details regarding budgetary outgo from the State Government towards equity, loans, grants/ subsidies, guarantees issued, loans converted into equity and interest waived in respect of State PSUs are given in **Annexure 1.4**. The summarised details are given in **Table 1.3** for three years ended 2012-13.

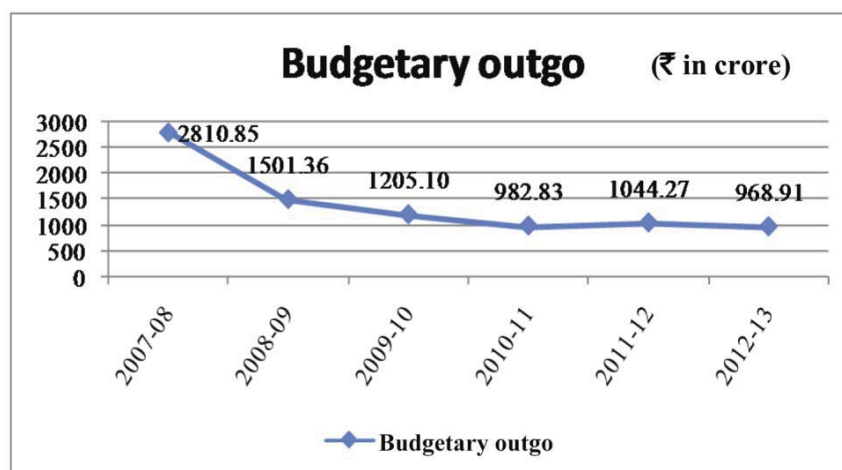
Table 1.3: Budgetary outgo to PSUs for three years (Amount ₹ in crore)

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity Capital outgo from budget	12	66.84	14	85.83	12	210.22
2	Loans outgo from budget	29	286.57	30	444.72	27	201.80
3	Grants/Subsidy outgo ¹⁰	28	629.42	17	513.72	22	556.89
4	Total outgo (1+2+3)	52 ¹¹	982.83	61 ¹¹	1,044.27	45 ¹¹	968.91
5	Loans converted into Equity	-	-	1	15.23	1	0.50
6	Guarantees issued	7	578.21	3	400.56	3	685.72
7	Guarantee Commitment	19	24,438.60	17	24,232.98	17	6,999.01

Source: As provided by PSUs concerned.

1.4.2 **Chart 1.3** shows the total budgetary outgo towards equity, loans and grants/ subsidies for past six years.

Chart 1.3 : Budgetary allocation towards equity, loans and grants/ subsidies in State PSUs



1.4.3 Budgetary outgo towards equity, loans and grants/ subsidies declined from ₹ 2,810.85 crore in 2007-08 to ₹ 968.91 crore in 2012-13 due to increase

¹⁰ Amount represents outgo from the State Budget only.

¹¹ The figures represent number of PSUs which have received outgo from the Budget under one or more heads i.e. equity, loans, grants and subsidies.

in number of non-working companies and restructuring of PSUs. Significant beneficiaries of subsidy and grants from the State budget were The Calcutta Tramways Company (1978) Limited (₹ 152.16 crore), Calcutta State Transport Corporation (₹ 151.34 crore) and North Bengal State Transport Corporation (₹ 100.45 crore). Majority of loans given from the budget was to the manufacturing and service sectors which received 31.63 per cent (₹ 63.83 crore) and 37.20 per cent (₹ 75.07 crore) of the total amount of loans (₹ 201.80 crore) respectively during 2012-13.

1.4.4 PSUs are liable to pay guarantee commission at the rate of one per cent per annum to the State Government on the maximum amount of loan guaranteed irrespective of the amount availed or outstanding as on 1 April of each year till the liquidation of loans. During 2012-13, the State Government had guaranteed loans aggregating ₹ 685.72 crore to three PSUs. At the end of 2012-13, guarantee commitment by the Government was ₹ 6,999.01 crore in respect of 17 PSUs. During the year West Bengal State Electricity Transmission Company Limited paid guarantee commission of ₹ 0.16 crore to the State Government while ₹ 76.64 crore were outstanding from 19 PSUs.

1.5 Reconciliation with Finance Accounts

1.5.1 Figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with those of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2013 is stated below:

Table 1.4: Reconciliation of differences with Finance Accounts

(₹ in crore)			
Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs ¹²	Difference
Equity	10,291.34	11,456.61	1,165.27
Loans	16,286.45	8,794.57	7,491.88
Guarantees	8,739.18	6,999.01	1,740.17

1.5.2 Audit observed such differences in respect of 55 PSUs and some of these were pending reconciliation since many years. No action has been taken for reconciliation even though the matter was brought to the notice of the concerned administrative departments and the managements of the concerned PSUs earlier. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

1.5.3 As per their latest finalised accounts 39 PSUs had earned profits, only seven PSUs¹³ declared dividend of ₹ 1.94 crore for the financial year 2012-13.

¹² Figures from annual accounts for 2012-13, where finalised, or information furnished by the State PSUs. One working and five non-working PSUs did not furnish information.

¹³ New Town Telecom Infrastructure Development Company Limited, New Town Electric Supply Company Limited, Mackintosh Burn Limited, Webel Technology Limited, West Bengal Forest Development Corporation Limited, Saraswati Press Limited and West Bengal State Seed Corporation Limited.

1.6 Arrears in finalisation of accounts

1.6.1 Accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides details of progress made by working PSUs in finalisation of accounts by September immediately following the close of each financial year.

Table 1.5 : Arrears of Accounts of the State PSUs

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1	Number of working PSUs	72	72	72	74 ¹⁴	74
2	Number of accounts finalised during the year	67	74	69	73	74
3	Number of accounts in arrears	67	62	59	69	67 ¹⁵
4	Average arrears per PSU (3/1)	0.93	0.86	0.82	0.89	0.91
5	Number of working PSUs with arrears in accounts	43	41	41	46	43
6	Extent of arrears (years)	1 to 5	1 to 6	1 to 7	1 to 3	1 to 4

1.6.2 It would be evident from the above table that in 2012-13, there was no improvement in arrears of accounts over the previous two years. It would be seen from **Annexure 1.3** that till September 2013, the accounts of 41 PSUs were in arrears, while first accounts of two PSUs¹⁶ were overdue. Two¹⁷ PSUs had arrears of accounts for as much as four years each; of them one PSU had submitted arrear accounts for only one year during October 2012 to September 2013, the other PSU had not submitted even one year's arrear account in the same period. Five¹⁸ PSUs also had arrears of accounts for three years each. The PSUs having arrears of accounts need to take effective measures to bring their accounts up to date.

1.6.3 There were also arrears in finalisation of accounts by non-working PSUs. Out of 17 non-working PSUs, 14 PSUs had arrears of accounts for one year to seven years. While no decision had as yet been taken about the continuation or closure of six non-working Government companies, the

¹⁴ Three PSUs viz. West Bengal Swarojgar Corporation Limited, DPL Coke Oven Limited and Paschimbanga Agri Marketing Corporation Limited were added while West Bengal Rural Energy Development Corporation Limited was amalgamated with West Bengal State Electricity Distribution Company Limited.

¹⁵ No. of arrear accounts as at 30 September 2013 does not tally with corresponding position for previous year due to interchange (+) of one PSU (arrear accounts : four) from non-working to working and transfer (-) of three PSUs (arrear accounts : six) from working to non-working and two new additions during the years. Similar interchange in status between working and non-working had occurred in earlier years.

¹⁶ Refer Serial No. A-10 and A-17 of **Annexure 1.3**.

¹⁷ Refer Serial No. A-8 and B-7 of **Annexure 1.3**.

¹⁸ Refer Serial No. A-3, 5, 12, 28 and B-6 of **Annexure 1.3**.

liquidation process in respect of the remaining eight had not started. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously. Delays in winding up of the remaining closed companies were attributed (September 2012) by the Government to the Government's nominee directors' unwillingness to furnish the requisite indemnity bond required for winding up of these companies. The only closed corporation could not be wound up as all the accounts related to it were not yet closed. The Government may take a decision regarding revival/ winding up of non-working PSUs.

1.6.4 The State Government invested ₹ 1,443.80 crore (Equity: ₹ 60.95 crore, Loans: ₹ 194.84 crore and Grants/ Subsidy: ₹ 1,188.01 crore) in 42 working PSUs during the years from 2008-09 to 2012-13 for which accounts have not been finalised as detailed in **Annexure 1.5**. In the absence of accounts and their subsequent audit, it cannot be ensured whether investments made and expenditure incurred has been properly accounted for and the purposes of investments have been achieved or not. Hence Government's investment in such PSUs remains outside the scrutiny of the State Legislature. Moreover, delay in finalisation of accounts also bears the risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

1.6.5 Administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. The concerned administrative departments and officials of the Government were informed every quarter by the Principal Accountant General (PAG)/ Accountant General (AG), of the arrears in finalisation of accounts, but no remedial measure was taken. As a result of this, the net worth of these PSUs could not be assessed in audit. Arrears of accounts were addressed to (April, July and December 2013) the Chief Secretary/ Finance Secretary by the AG to expedite clearance of backlog in accounts in a time bound manner.

1.6.6 *In view of above state of arrears, it is recommended that the Government may monitor and ensure timely finalisation of accounts of the PSUs with special focus on liquidation of arrears and compliance with the provisions of the Companies Act, 1956.*

1.7 Performance of PSUs

1.7.1 Out of 74 working PSUs, 31 PSUs (Government companies: 30, Statutory corporation : one) had finalised their annual accounts for 2012-13 till September 2013. The investment (capital and long-term loans) in these 31 PSUs as on 31 March 2013 was ₹ 37,047.69 crore¹⁹, which represented 90.20 per cent of the investment in all State PSUs.

1.7.2 Financial position and working results in respect of these 31 PSUs, who finalised their annual accounts for 2012-13, are detailed in

¹⁹ Capital : ₹ 11,751.57 crore, loans : ₹ 25,296.12 crore.

Annexures 1.2 and 3.1. Table below provides details of profit/ loss and turnover of these 31 PSUs and State GDP for 2011-12²⁰ and 2012-13 :

Table 1.6 : Statement showing profit/ loss and turnover of 31 PSUs and State GDP

Particulars	₹ in crore)	
	2011-12	2012-13
Turnover	29,457.81	36,755.18
State GDP ²¹	5,49,876	5,76,865
Percentage of Turnover to State GDP	5.36	6.37
Net profit (+)/ loss (-)	(-)286.23	(-)542.96

Source: Accounts of PSUs.

1.7.3 Out of the 31 PSUs that had finalised their accounts for 2012-13, 19 PSUs earned an aggregate profit of ₹ 688.28 crore, while 11 PSUs incurred a loss of ₹ 1,231.24 crore and one company had not yet started any operations.²² Major contributors to profit were West Bengal State Electricity Transmission Company Limited (₹ 333.02 crore), The West Bengal Power Development Corporation Limited (₹ 131.66 crore), West Bengal State Electricity Distribution Company Limited (₹ 81.72 crore) and West Bengal Housing Infrastructure Development Corporation Limited (₹ 62.36 crore). Heavy losses were incurred by Haldia Petrochemicals Limited (₹ 960.11 crore), The Calcutta Tramways Company (1978) Limited (₹ 137.02 crore) and The Durgapur Projects Limited (₹ 68.03 crore).

1.7.4 Some other key parameters pertaining to the 31 working PSUs that had finalised their accounts for 2012-13 are given below: -

Table 1.7 : Statement of key parameters pertaining to 31 PSUs and State GDP

Particulars	₹ in crore)	
	2011-12	2012-13
Return on Capital Employed (<i>per cent</i>)	2,472.26 (10.44)	2,412.78 (6.44) ²³
Debt	25,408.89	25,296.12
Turnover ²⁴	29,457.81	36,755.18
Debt/ Turnover Ratio	0.86:1	0.69:1
Interest Payments ²⁵	2,758.49	2,957.97
Accumulated Losses (-)/ Profits (+)	(-) 1,123.38	(-) 1,751.90

Source: Accounts of PSUs.

1.7.5 Out of 74 PSUs, 43 PSUs (including eight statutory corporations) did not finalise their accounts for 2012-13. Financial position and working results in respect of these 43 PSUs, based on the latest finalised annual accounts, are indicated in **Annexures 1.3, 1.6 and 1.7.**

²⁰ Up to September 2012, 27 PSUs finalised accounts for 2011-12. Of these 27 PSUs, four did not finalise accounts for 2012-13, while eight pulled up arrear and current accounts. Hence, figures for 2011-12 and 2012-13 are not comparable.

²¹ Advance Estimates for 2011-12 and 2012-13 at Current Prices.

²² Serial No. A-20 of **Annexure 1.2.**

²³ Return on Capital Employed for 2012-13 is based on the revised formula of 'Capital Employed' being Shareholders' Fund + Long Term Borrowings.

²⁴ As per the accounts as of 30 September 2013.

²⁵ As per the accounts as of 30 September 2013.

1.8 Internal Audit and Internal Control System

1.8.1 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of 18 companies for the year 2012-13 are given below: -

Table 1.8 : Deficiencies in internal control system

Sl. No	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to Sl. No. of the companies as per Annexure 1.2
1	Non-fixation of minimum/ maximum limits of store and spares	10	A-1, A-4, A-10, A-12, A-13, A-18, A-21, A-22, A-23 & A-30.
2	Absence of internal audit system commensurate with the nature and size of business of the company	1	A-14.
3	Non maintenance of cost records	3	A-1, A-4 & A-9.
4	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	3	A-1, A-14 & A-16
5	Absence of clear credit policy and policy for providing doubtful debts/ write off and liquidated damages	6	A-6, A-12, A-13, A-18, A-26 & A-30.
6	Absence of security policy for software / hardware and backup of past records	8	A-1, A-4, A-6, A-17, A-19, A-21, A-23 & A-30.
7	Absence of effective system of monitoring of advances/ outstanding dues	5	A-6, A-14, A-16, A-21 & A-26.
8	Absence of vigilance department or absence of existence/ effectiveness of delineated fraud policy	15	A-1, A-4, A-6, A-9, A-10, A-13, A-14, A-16, A-17, A-18, A-19, A-21, A-25, A-26, & A-30.

Source: Statutory Auditors' report of respective PSUs.

1.9 Comments of the CAG of India and Statutory Auditors on Accounts of PSUs

1.9.1 Some of the important comments of the CAG of India, under Section 619 (4) of the Companies Act, in respect of accounts finalised during the year, are as follows: -

THE DURGAPUR PROJECTS LIMITED (2012-13)

- Prior Period Items did not include an amount of ₹ 14.28 crore being the value of assets capitalised due to exchange differences arising on the settlement of monetary items contrary to Accounting Standard-11.

Loss for the year was understated by ₹ 14.28 crore with corresponding over-statement of Fixed Assets.

THE WEST BENGAL POWER DEVELOPMENT CORPORATION LIMITED (2012-13)

- Capital Work-in-Progress (CWIP) was overstated by amount of ₹ 66.77 crore incurred towards railway siding at Sagardighi Thermal Power Plant which was completed and put to use during March 2013 but was not capitalised, with corresponding understatement of fixed assets by ₹ 63.86 crore, depreciation and profit by ₹ 2.91 crore each.

WEST BENGAL TRADE PROMOTION ORGANISATION (2011-12)

- Both Other Current Liabilities and Capital Work-in-Progress were understated by ₹ 1.39 crore respectively due to non-provision of escalation cost of construction of Milan Mela complex (Phase-I).

THE WEST BENGAL SMALL INDUSTRIES DEVELOPMENT CORPORATION LIMITED (2011-12)

- Both Current Liabilities and Accumulated Loss were understated by ₹ 2.98 crore as Service Tax of ₹ 2.98 crore on long term lease rentals from 2007-08 to 2011-12 was not charged by the Company.

WEST BENGAL INDUSTRIAL DEVELOPMENT CORPORATION LIMITED (2011-12)

- Lease premium of ₹ 87.87 crore accrued upto March 2012 had not been booked to revenue with related cost of acquisition of land and development expenditure (₹ 73.50 crore) thereon shown as expenses in the Profit & Loss account. This resulted in understatement of profit by ₹ 14.37 crore.

MACKINTOSH BURN LIMITED (2011-12)

- Plant & Machinery was overstated by ₹ 2.55 crore due to non charging of depreciation on plant and machinery for items valuing below ₹ 5,000 added during the year (2011-12).

1.9.2 An important comment of the Statutory Auditors, in respect of accounts finalised during the year is as follows:-

WEST BENGAL HOUSING INFRASTRUCTURE DEVELOPMENT CORPORATION LIMITED (2012-13)

- The Company had revised accounts at the instance of the CAG's draft comments and debited royalty on earth work (₹ 3.62 crore), expenditure on township street lighting (₹ 3.74 crore) and reversed excess cost of sale of EWS flats (₹ 7.99 crore) leading to increase in profit by ₹ 15.35 crore.

1.10 Placement of Separate Audit Reports (SARs)

1.10.1 The following table shows the status of placement of Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

Table 1.9 : Status of Separate Audit Reports

Sl. No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1	Calcutta State Transport Corporation	2008-09	2009-10	18.04.2013	Not furnished by the Government
2	North Bengal State Transport Corporation	2008-09	Accounts are not furnished since 2009-10.		
3	South Bengal State Transport Corporation	2009-10	2010-11 2011-12	04.10.2012 27.08.2013	Not furnished by the Government
4	West Bengal Backward Classes Development and Finance Corporation	2009-10	2010-11 2011-12	16.11.2012 19.07.2013	Not furnished by the Government
5	West Bengal Electricity Regulatory Commission	2011-12	2012-13	26.09.2013	Not furnished by the Government
6	West Bengal Financial Corporation	2011-12	2012-13	Audit in progress	Not furnished by the Government
7	West Bengal Industrial Infrastructure Development Corporation	2008-09	2009-10 2010-11 2011-12	30.03.2012 04.01.2013 26.08.2013	Not furnished by the Government
8	West Bengal Minorities Development and Finance Corporation	2007-08	2008-09 2009-10 2010-11 2011-12	29.10.2010 25.08.2011 10.01.2013 03.06.2013	Not furnished by the Government
9	West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation	2008-09	2009-10 2010-11	26.10.2012 Audit in progress	Not furnished by the Government
10	West Bengal State Warehousing Corporation	2007-08	2008-09 2009-10 2010-11 2011-12	28.01.2010 11.05.2011 30.03.2012 24.07.2013	Not furnished by the Government

Delay in placement of SARs weakens the legislative control over statutory corporations and dilutes the latter's financial accountability. The Government should ensure prompt placement of SARs in the Legislature.

1.11 Follow-up action on Audit Reports

1.11.1 Outstanding departmental replies on paragraphs appeared in the Audit Reports

Reports of the CAG encompass observations arising out of scrutiny of accounts and transactions of various Government companies and Statutory corporations. Therefore, it is necessary that the executives give appropriate and timely responses to them. Finance Department, Government of West Bengal instructed (October 2009) all the administrative departments to submit

illustrative notes to the West Bengal Legislative Assembly with corrective/remedial action taken or proposed to be taken on the observations included in the Audit Reports within two months from the date of presentation of laying of the Audit Reports in the State Legislature.

Though the Audit Reports for the years 2003-04, 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10 and 2010-11 were presented to the State Legislature in August 2005, July 2006, March 2007, March 2008, July 2009, July 2010, September 2011 and September 2012 respectively, 14 departments, whose activities were commented upon did not submit their explanatory notes on 30 out of 196 paragraphs/ Performance audits as of September 2013 (**Annexure 1.8**).

1.11.2 Outstanding action taken notes on the Reports of the Committee on Public Undertakings (COPU)

Reports of the COPU presented to the Legislature contain recommendations and observations on which administrative departments are required to submit their Action Taken Notes (ATNs) within six weeks from the date of receipt of COPU recommendations. Even after lapse of one month to 62 months, 10 departments did not furnish the ATNs on 70 recommendations relating to 26 COPU Reports presented (July 2008 - August 2013) to the State Legislature (**Annexure 1.9**).

1.11.3 Response to the Inspection reports, draft paragraphs and Performance audits

Anomalies/ deficiencies noticed during the periodical inspections of Government companies as well as Statutory corporations and not settled on the spot are communicated through the Inspection Reports (IRs) to the respective heads of PSUs and the concerned departments of the State Government. The heads of PSUs are required to furnish their replies to the IRs through the respective heads of the departments within a period of four weeks. A half yearly report is being sent to the Principal Secretary/ Secretary of the departments in respect of pending IRs to facilitate monitoring of the audit observations in those IRs.

Inspection Reports issued up to September 2013 pertaining to 44 PSUs disclosed that 148 paragraphs relating to 55 IRs remained outstanding at the end of September 2013. The department-wise break up of IRs and audit observations as of September 2013 is given in **Annexure 1.10**. In order to expedite settlement of the outstanding paragraphs, Audit Committees were constituted in 16 out of 23 departments. These Committees were to meet, at least, once every month. However, during October 2012 to September 2013, two audit committee meetings were held by the Power and Non-Conventional Energy Sources department.

Similarly, draft paragraphs and Performance audits on the working of PSUs are forwarded to the Principal Secretary/ Secretary of the administrative department concerned demi-officially, seeking confirmation of the facts and figures and their comments thereon within a period of six weeks. It was,

however, noticed that two draft paragraphs forwarded to two departments during July to August 2013, as detailed in **Annexure 1.11** had not been replied so far (December 2013).

It is recommended that the Government should ensure that **(a)** procedure exists for action against the officials who fail to submit replies to inspection reports/ draft paragraphs/ Performance audit reports and ATNs on recommendations of COPU, as per the prescribed time schedule; **(b)** action to recover loss/ outstanding advances/ overpayment is taken within the prescribed period and **(c)** system of responding to audit observations is revamped.